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JEWELRY

Why branded jewelry could be the next decade's fastest-growing luxury subsegment

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In luxury, the future is female. The jewelry subsegment should see a shift to self-purchasing and impulse purchasing, making branded luxury jewelry shine. Image credit: Shutterstock, Gucci, Cartier and Van Cleef & Arpels

By Erwan Rambourg

As explained in a previous column, a combination of "womenomics" and societal change will bring about a new wave of spending from female consumers in the luxury sector.

While women already influence the vast majority of household purchasing decisions and as such will move the needle for all consumer sub-sectors, the natural beneficiaries will be those that are already female-driven such as cosmetics, handbags and jewelry.

Unlike the first two, the latter is still a broadly unbranded space with very few credible global players. However, this is about to change with a decade-long growth journey.

In China, local jewelry retailers such as Chow Tai Fook, Luk Fook or Lao Fen Xiang dominate the landscape, but imported brands in luxury are poised to outperform.

According to De Beers, millennials combined with Gen Zers account for two-thirds of the total spending on diamond jewelry in the four largest diamond-consuming countries.

While most jewelry is unbranded and many countries have local champion brands Titan in India or Chow Tai Fook in China very few global brands exist in this space.

When leaving aside the more affordable brands such as Swarovski or Pandora, luxury names that are big and relevant for consumers around the world are few and far between: Tiffany, Cartier, Van Cleef & Arpels and Bulgari are the four key names.

Each has a distinct positioning: Tiffany, the iconic New York jeweler soon to be part of LVMH is well known for its diamond and sterling silver pieces and tops consumer brand preference surveys in the US. It is about to get a lot of attention and investment as LVMH takes over next year and has recently played on its "inclusive versus exclusive" positioning.

Cartier, the prestigious French brand that is part of the Richemont group is interestingly known as "the jeweler of kings and the king of jewelers," and is preferred in China.

Van Cleef & Arpels another French Richemont asset is known for its romantic femininity and its pieces shaped like animals or floral designs.

Finally, Bulgari part of the LVMH group as well is an exuberant Roman jeweler.

So, these are the four pillars. They are the references in the space and it is difficult for other brands to build a strong credibility and following as jewelry implies trust and here again size matters.

Pre-COVID, Chinese consumers would only go to long-established brands and those who had big flagship and a following in most of the destinations to which they flew. Post-COVID, they will likely continue to flock to the same names and, if the short term is a proxy for anything, market share gains from Cartier are impressive.

I am confident that with LVMH at the helm, Tiffany can stand out in the years ahead as well.

While cosmetics are a crowded space and brands such as Louis Vuitton or Gucci in handbags have managed to see their sales soaring over the past six years, I see no reason why Cartier and Tiffany could not double sales over a similar amount of time.

China again should be the key battleground and for now Cartier has an edge. But with LVMH backing, it is very likely that Tiffany will focus its efforts on this higher-margin, higher-growth market.

Both brands are a lot more adjacent in China than in Japan or the U.S. where Tiffany sells more silver and access price points.

There are other competitors, but they are smaller and less global in terms of their retail footprint Harry Winston, Boucheron, Chaumet, Fred, Graff, Buccellati, Chopard, Damiani and David Yurman or are not purely jewelers such as Chanel, Louis Vuitton and Christian Dior.

Those three generalist brands, however, could actually give some pure jewelry companies a run for their money as they have the means to invest substantially in building out the business.

As an example, Louis Vuitton started off 2020 by purchasing the second biggest diamond on the planet and has gained much PR traction and sales for the category in recent years.

Women are getting married at a later age, which should also put pressure on the jewelry segment as traditional bridal jewelry suffers.

The reality, however, is that more than 50 percent of women are buying jewelry for themselves either as a celebration of an achievement at work, as an indulgence to treat themselves do you always need a reason? or as an investment that they can pass down to their own daughters, according to MVI Marketing, a jewelry consulting firm.

Early in 2019, Real is Rare, Real is a Diamond, an important communication platform from the Diamond Producers Association (DPA), an alliance of the leading mining companies, launched a series of films with women rewarding themselves.

Having sensed how dominant self-purchasing had become, the association had all films end with the tag line "for me, from me," a telling message to attract female consumers directly to the products.

Forget the spouse, it is me, myself and I self-purchasing is the future and branded luxury jewelry has what it takes to shine.

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